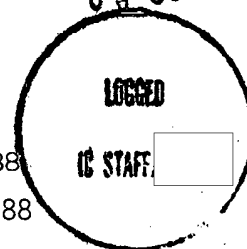


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Director
Intelligence Community Staff
Washington, D.C. 20505

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5 October 1988



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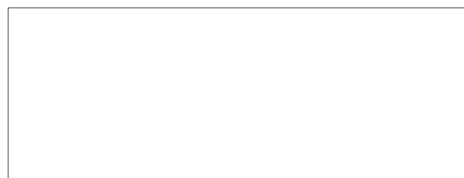
MEMORANDUM FOR: Director of Central Intelligence

VIA: Deputy Director of Central Intelligence
Inspector General, Central Intelligence Agency

SUBJECT: Financial Integrity Act of 1982

REFERENCE: A. PL 97-255 dated 8 September 1982
B. [] dated 21 June 1985
C. Memo from Inspector General dated 7 December 1983, same subject
D. OMB memo 85-5 dated 22 October 1984, subject: "Second-Year Implementation of the Financial Integrity Act"

In accordance with Section 2 of the Federal Manager's Integrity Act of 1982, I have reviewed the internal accounting and administrative controls for the Intelligence Community Staff (ICS) for the fiscal year that ended on 30 September 1988. Within the IC Staff, I have limited the number of persons with authority to approve resource expenditures to the highest practicable level, which I believe strengthens the internal control system of checks and balances. I believe the IC Staff to be in reasonable compliance with the standards prescribed by the Comptroller General for accounting, auditing, and internal accounting and administrative control systems. To the best of my knowledge, the activities that took place during FY 1988 within the IC Staff have been appropriately approved and carried out in accordance with law and Agency regulations. Obligations are valid and are supported in accordance with Agency regulations. Expenditures have been properly approved. Due care has been exercised to protect resources from misuse and misappropriation. Activities have been managed in an efficient and effective manner, and the internal accounting and administrative controls are operational and effective.



Lieutenant General, USAF

All portions of this
memorandum are UNCLASSIFIED

SUBJECT: Financial Integrity Act of 1982

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3 October 1988

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7 DEC 1983

MEMORANDUM FOR: Director, Intelligence Community Staff

FROM: James H. Taylor
Inspector General

SUBJECT: Federal Managers' Integrity Act of 1982

1. In compliance with the subject Act, the Director must submit a report to the President no later than 31 December 1983, on the effectiveness of the systems of internal accounting and administrative controls for the Intelligence Community Staff.

STAT 2. It is contemplated that the annual reports to the President will be supported by equivalent statements from the head of each major organizational component. To that end the Director on 29 November 1983, approved publication of a Headquarters Notice (copy attached--publication as [redacted] is in process) which prescribes the policies, procedures and responsibilities for compliance with the Act. That notice in paragraph 5d(1) describes the requirements for a statement, to be signed by you, assessing the operation of internal accounting and administrative controls within your staff at the close of each fiscal year.

3. In future years such statements are to be submitted to the Deputy Director of Central Intelligence through the Inspector General no later than 30 November. I regret the short notice to you of the requirement, but this year it is requested that your statement be submitted no later than 16 December 1983, in order to provide an equally short interval of time for review and preparation of the Director's composite report to the President.

STAT 4. I will be glad to consult with you should you have any question about this requirement.

[redacted]
James H. Taylor

Attachment As Stated

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OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

October 15, 1984

84. 9471

22 OCT 1984

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M-85-5

MEMORANDUM FOR HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: JOSEPH R. WRIGHT, JR.
DEPUTY DIRECTOR

SUBJECT: Second-Year Implementation of the Financial
Integrity Act

Attached is a summary of GAO expectations for second-year implementation of the Federal Managers Financial Integrity Act. The summary was prepared as guidance to the GAO staff for use in assessing the progress made by individual agencies. It was furnished to us by the Comptroller General.

As you know, OMB has been working closely with GAO to ensure early and full implementation of the Act. Our partnership with GAO has the objective of achieving fundamental changes in the way the government operates. We too have high expectations for real accomplishments in upgrading and strengthening systems of internal control and financial management. Under the Administration's Management Improvement Program: Reform '88, this effort coupled with numerous other broad-based management reforms is expected to result in a modernized, efficient government that operates in a business-like manner.

Your continued full support of the efforts in your agency to meet the expectations described in the attached summary is needed to ensure that the management reform objectives are realized at the earliest possible time.

Attachment

DCI
EXEC
REG

GAO Expectations for Agencies'
Implementation of the Federal Managers'
Financial Integrity Act - Year 2

The first year's implementation of the Federal Managers' Financial Integrity Act has been characterized as a learning experience--from not only the perspective of the federal agencies, but also GAO as well. The process steps required by the legislation, let alone the results that could be expected, were new to many.

For the second year, GAO expects considerably more progress, and we have specified a set of expectations as to what each federal agency should reasonably be able to accomplish as a basis for the assurances supporting their required second year reporting. These second-year expectations are based on what we have learned as a result of our prior experience with internal control and accounting systems in the federal government, our evaluation of the first year's implementation of the act, and specific "baseline" information we developed on each of the 22 agencies during the first year review. They reflect GAO's view that the problems that gave rise to this legislation will not be solved overnight, and therefore we cannot realistically expect full implementation this year. On the other hand, these expectations also reflect our view that it is reasonable for agencies, as a basis for their second year reporting, to begin to demonstrate that effective systems are in place and working, or that significant, cost beneficial improvements in internal controls and accounting systems are being made as a result of this legislation.

GAO's expectations for agencies' second year efforts to implement the act are divided into two groups; one for the act's section 2 requirements (internal controls), and one for the act's section 4 requirements (accounting systems). Annual statements are required for each of these two sections. In addition, while federal agencies have had OMB's final guidelines to direct their required section 2 evaluations since December 1982, the OMB guidance to date concerning their section 4 efforts consists of the OMB September 1983 draft guidelines and several meetings to describe its expectations.

The GAO expectations should be used as "benchmarks" against which to measure agency progress at the end of the second year. The expectations should not be viewed as hard and fast standards. Rather, when evaluating an agency's second year performance, they should be used, along with the progress and problems encountered during the first year, to judge the "reasonableness" of agency progress. Thus, an agency whose performance fails to meet these benchmarks may still be judged to be "reasonable" based on that agency's first year problems or other extenuating circumstances.

GAO expects that as a basis for their second annual statement required by section 4 of the act, agencies should have:

1. Developed and validated a complete inventory of accounting systems.
2. Documented their overall accounting systems' structure.
3. Developed a reasonable approach to evaluating their accounting systems' conformance with principles, standards, and related requirements (including appropriate testing of system operation).
4. Evaluated their accounting systems' compliance with GAO's principles, standards and related requirements, or at least demonstrated meaningful progress in evaluating their major systems.
5. Made a concerted effort to identify significant instances of noncompliance, or determined that their accounting systems comply, as a result of accounting system evaluations conducted this year (not merely listing known instances of noncompliance identified in GAO or IG reports).
6. Substantially completed corrective actions for instances of noncompliance identified in the first year (i.e., demonstrated significant accounting system improvements). In the event that corrective actions are of a long term nature, initiated major systems upgrade projects that are likely to correct identified problems.
7. Developed reasonable short-term and long-term plans to bring any instances of significant accounting system noncompliance into conformance with requirements.